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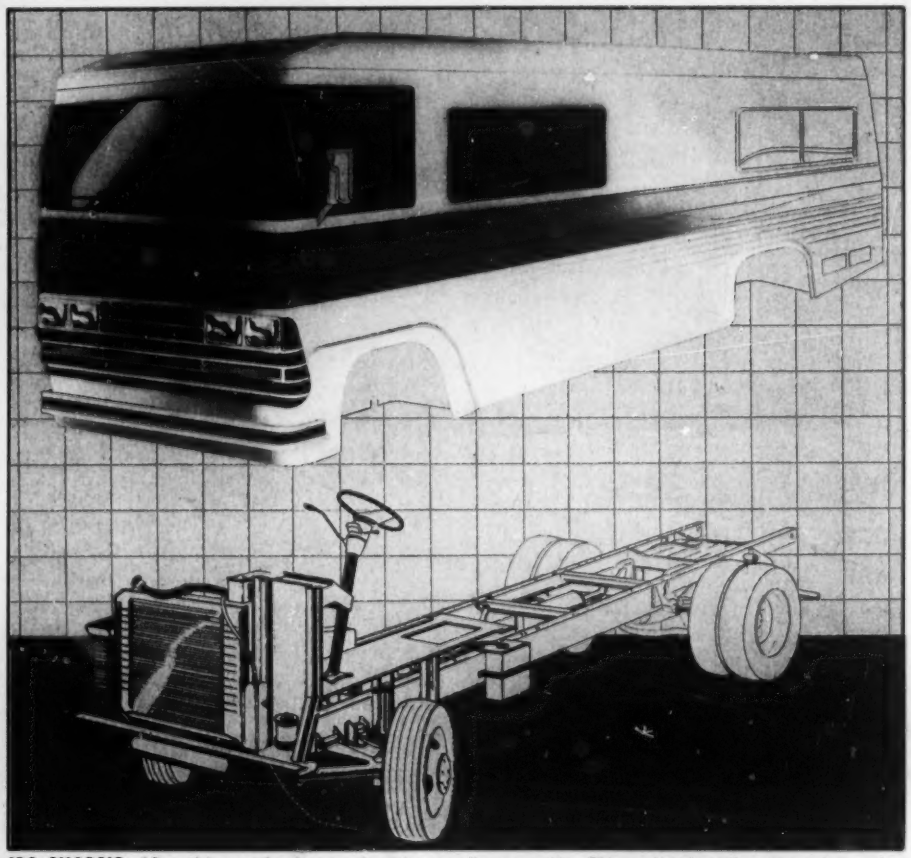
RV BUSINESS

NOVEMBER 20, 1989



'90 CHASSIS: After this year's slump, chassis suppliers see the RV market heading toward a spring upsurge and are preparing to battle a growing field of competitive products. See page 38.

RV Makers, Dealers Seek Buy-back Compromise

Both of the nation's key RV-trade associations, RVIA and RVDA, continue to seek a compromise in the growing state-level controversy over RV "dealer closing" laws.

Yet it is apparent that legal concepts – such as "dealer buy-backs," "voluntary termintions," "sales agreements" and "franchises" – are likely to affect the very parameters of how RV makers and dealers have functioned. Sweeping changes afoot in the motorcycle and automobile industries and increasing activism by some U.S. RV dealers – including recent dealer-spawned legislative initiatives in states like Texas, Montana, Wisconsin and Georgia – are changing the landscape of manufacturer-dealer relations.

The buy-back issue first surfaced when strong dealer-oriented legislation, mostly promoted by automotive dealers, was introduced in Montana and Texas. But Wisconsin is where the issue is getting its most heated airing.

In Wisconsin, a coalition of motorcycle, automotive and RV-dealer groups last spring introduced a bill that originally called for binding manufacturer-dealer agreements and "inventory buy-backs." The buy-back clause would have required RV manufacturers terminating dealers to repurchase new and/or unused inventories, parts, signage, tools and other related items from the canceled dealer at 110% of the price that dealer originally paid. The same clause also would have applied regardless of the circumstances of the elimination of the franchise. Among the sponsors of the bill and its buy-back requirements is a group of RV trade associations: the Wisconsin RV Dealers Association (WRVDA), the Milwaukee-based Southeastern Wisconsin RV Dealers Associa-

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AUGUST SHIPMENTS WERE BECALMED IN THE END-OF-SUMMER DOLDRUMS

MORTON J. MARCUS

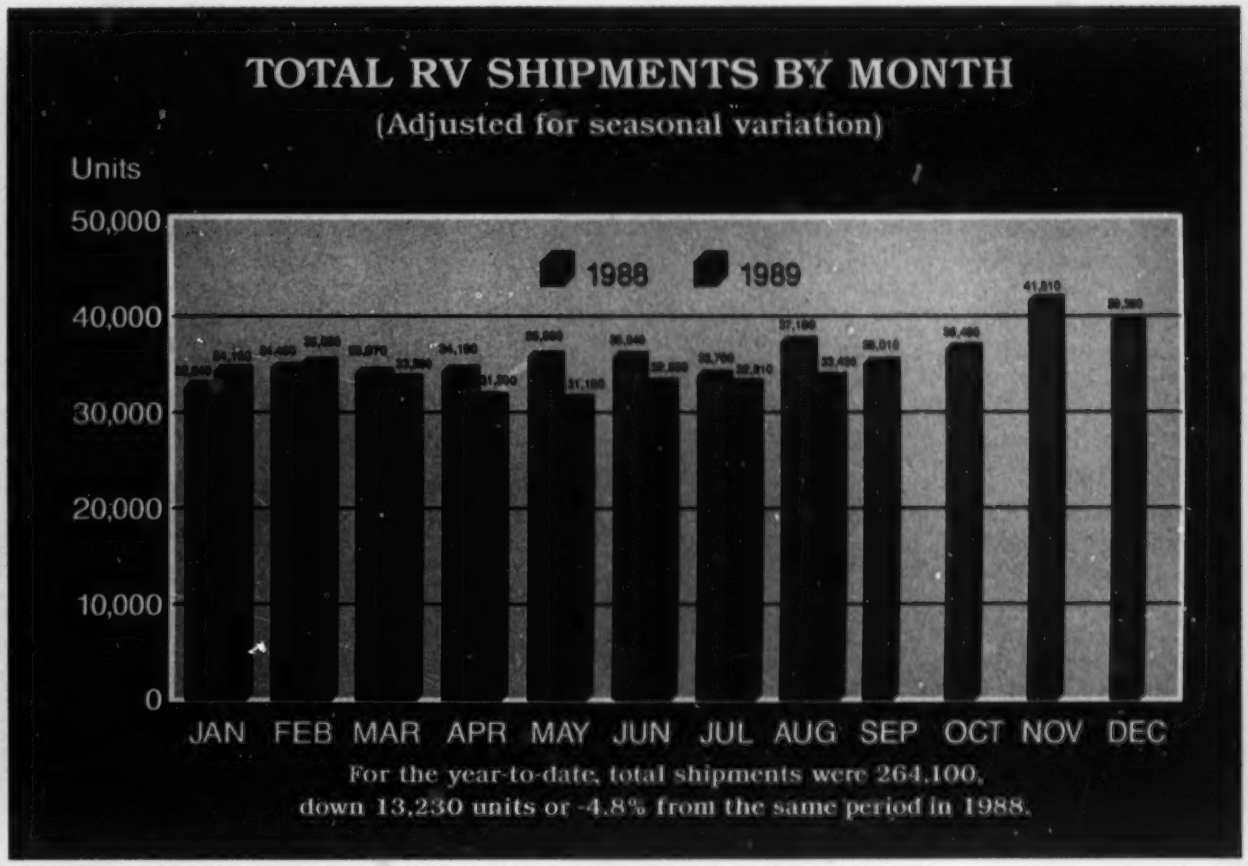


Figure 1

August is often a month that dulls the senses. The heat can be oppressive; breezes are at a premium. Golfers avoid the links at midday, and tennis courts are empty from 10 a.m. until 6 p.m. Even sailing on blue waters offers no relief when the vessel moves with the speed of a car stuck in freeway gridlock.

So, it seems only natural that RV shipments also languished in the doldrums in the month of August.

The patterns established earlier in the year seemed to persist, with little improvement in the August shipment data from RVIA. Gains made in several areas were offset by declines in other areas.

As a result, total volume for the year was off by more than 13,000 units by August, although year-to-date volume was still within 95% of last year's level for the first eight months.

The very mixed nature of the RV market's slowness supported the view that the industry was suffering from a lamentable stability rather than a perilous decline.

In fact, total RV shipments, adjusted for normal seasonal patterns, were *up* to their highest level since February in August. This level was also higher than that of July. *(See Figure 1.)*

However, the shipments' total was still a full 10% below the shipments' tally of August 1988. As of August, 1989 shipments were running at an averge of 33,010 units per month, compared with an average 34,670 units a month through the first eight

GRAPHICS: CUSTOM COLOR VISUALS

MARKET SHARE BY TYPE OF UNIT
(Year-to-date, adjusted for seasonal variation)

	1989	1988
TOTAL RVs	100.00	100.00
Travel Trailers:		
Conventional	13.47	14.09
Park Models	2.01	1.79
Fifth-wheels	7.39	7.53
Folding Camping Trailers	8.32	10.14
Truck Campers	2.55	2.62
TOTAL TOWABLES	33.75	36.16
Motorhomes:		
Class A	9.30	9.83
Class B Van Campers	1.30	1.24
Class C:		
Minis	4.61	5.02
Low Profiles	0.41	0.48
Micro-minis	0.60	0.60
TOTAL MOTORHOMES	16.21	17.17
Multiuse Van Conversions	50.04	46.67

Percentages may not add to total because of rounding.

Figure 2

months of 1988.

But other than the lower level of shipments compared with last year, the trend that is tough to accept in 1989 is the steadiness of the numbers, as seen in Figure 1.

Fluctuations this year have been more subdued than last year's. Hence, the slower volume and the reduced variation of shipments have combined to give everyone in the industry the unsettling feeling that comes from seeing no progress and little sense of vitality in the market.

The Detailed View

As is usually the case, there was movement below the surface of August's seemingly becalmed shipments' total. The small, 620-unit gain of August over July 1989 was made up of one large, 1,570-unit gain by van conversions, which was offset by declines in both towables and motorhomes. *(See Figure 3.)*

When we inspect the towable and motorhome sectors in detail, however, there are, again, conflicting movements.

Travel trailers as a group gained in August compared with July. But, as in previous months, shipments of folding camping trailers and truck campers nosedived to such an extent that they pulled down the tally of the towables sector and even offset a particularly strong gain by fifth-wheel trailers.

Meanwhile, a 910-unit plunge on the part of Class A motorhomes in August swamped the small gains made by Class B and Class C units over their July figures.

Figure 3, however, displays all the problems of reading the meaning of monthly reports. Many RV types have very small monthly volume figures, so that small changes in volume can yield enormous, potentially misleading percentage changes.

For example, micro-minimotorhome shipments increased by 100 units in August, up 98% from July. Yet, it would be a miscarriage of statistical justice to convert that number to an annual rate. If micro-minis continued to advance at the August rate for a year, there would be more than 360,000 micro-minis shipped by next August. No reasonable person could expect such an advance.

Basic Changes?

Are there any basic changes underlying the statistics?

We have no intention of bashing a particular RV group, but it is important to put any analysis of the RV market in perspective by first calling attention to folding camping trailers.

Folding camping trailers were less than a third (28%) of the towables market a year ago. *(See Figure 2.)* Now, fold-downs have become the dominant, downward factor in the towables segment of the market.

Of the 11,170-unit decline for towables through August 1989, 55% was due to the poor market performance of fold-down units. This one segment alone accounted for nearly half (46%) of the total difference between this year and last year in the entire industry.

However, the basic fact of 1989 is not negated by these observations: The reality is that by August, with two exceptions, the performance of every market segment was off the pace of the first eight months of 1988. The two, positive performers for the year-to-date were park models and van conversions.

These two RV types seem to be finding acceptance among consumers when other models are stuck on hold or on the decline. Each is also representative of what may be the extremes in pricing and lifestyle options for consumers, which makes interpretation of these observations even more difficult.

True, van conversions crossed the 50% mark in market share for the year-to-date, after months of moving ever closer to that point. But we will still need to wait and see if the newfound prominance of van conversions is a short-term phenomenom based on cyclical aspects of the industry, or part of a long-term shift in consumer preferences. Δ

Morton J. Marcus is the director of the Indiana Business Research Center at Indiana University School of Business, where he is also a member of the faculty. Marcus specializes in using statistics to identify economic trends.

RV SHIPMENTS BY TYPE OF UNIT
(Adjusted for seasonal variation)

Type of Units	Aug 1989	Change From Jul 1989 Number	%	Year-to-Date 1989	1988	Change Number	%
TOTAL RVs	33,430	620	1.9	264,100	277,340	-13,230	-4.8
Travel Trailers:							
Conventional	4,470	50	1.0	35,580	39,090	-3,490	-8.9
Park Models	630	20	3.0	5,300	4,970	330	6.7
Fifth-wheels	2,360	220	10.0	19,530	20,860	-1,330	-6.4
Folding Camping Trailers	2,660	-380	-12.5	21,980	28,120	-6,140	-21.8
Truck Campers	790	-130	-14.4	6,750	7,260	-510	-7.0
TOTAL TOWABLES	10,950	-290	-2.5	88,120	100,290	-11,170	-11.1
Motorhomes:							
Class A	2,480	-910	-26.8	24,560	27,260	-2,700	-9.9
Class B Van Campers	480	160	50.2	3,420	3,430	-10	-0.3
Class C:							
-Minis	1,200	70	6.2	12,190	13,930	-1,740	-12.5
-Low Profiles	70	-80	-55.9	1,080	1,320	-240	-18.2
-Micro-minis	190	100	98.1	1,570	1,670	-100	-6.0
TOTAL MOTORHOMES	4,500	-670	-13.0	42,820	47,610	-4,790	-10.1
Multiuse Van Conversions	17,990	1,570	9.6	182,160	129,160	53,000	41.1

Note: Data rounded to nearest 10 units

Figure 3

JULY NUMBERS SEND MIXED SIGNALS

THOMAS WALWORTH

East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin; **Mountain**: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming; **Northeast**: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont; **Pacific**: Alaska, California, Oregon, Washington, Hawaii; **South Atlantic**: Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia; **West North Central**: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota; **South Central**: Texas, Oklahoma, Arkansas, Louisiana, Tennessee, Mississippi, Alabama.

Retail registration numbers for July 1989 generated mixed signals.

July was the fourth consecutive month in which the market improved on the previous month's percent of change from the 1988 year-to-date level. Thus, a July comparison of the 1988 and 1989 motorhome markets for the year-to-date showed motorhome sales behind 1988's pace by only 2.41%, the smallest deficit to date.

In contrast, the RV-trailer market in July declined 0.37% on a year-to-date basis, leaving trailer sales 8.47% below the first seven months of 1988. For the RV-trailer market, July marked the first time in three months that trailer retail sales did not improve on the previous month's percentage change from the 1988 year-to-date level.

The RV-trailer market for the month of July 1989 was down 12.46%, or 1,637 units, compared with July 1988. Figure 1 lists the seven regions of the country ranked by the percent of change in July RV-trailer sales compared with the same month last year. In the top-ranked Mountain region, Utah recorded the largest percentage gain. In the bottom-ranked Northeast region, Maine came in with the largest drop in sales compared with July 1988.

For the year-to-date, the RV-trailer market in July was down 8.47%, or 6,725 units, compared with the first seven months of 1988. In Figure 2, the seven national regions are ranked based on their percentage change in trailer sales compared with the same period in 1988. The South Central region led the pack, with Oklahoma reporting the largest percentage retail gain. The Northeast lagged behind the other six regions, with Massachusetts having the largest percentage decline based on a two-year comparison.

Meanwhile, the motorhome retail market in July experienced a 15.75% increase compared with July 1988. This was the first month this year in which the motorhome market had a positive percent of change compared with the same month of 1988. The 15.75% increase represented an 899-unit gain for the motorhome market over

RV TRAILERS, JULY '89

July '89 Rank	Region	% of Change From July '88	June '89 Rank
1	Mountain	5.81	4
2	S. Central	2.33	6
3	W.N. Central	–7.50	3
4	Pacific	–10.70	2
5	S. Atlantic	–13.50	5
6	E.N. Central	–14.71	7
7	Northeast	–31.20	1

Figure 1

RV TRAILERS, YEAR-TO-DATE

July '89 Rank	Region	% of Change Year-to-date	June '89 Rank
1	S. Central	–1.90	1
2	Mountain	–4.70	3
3	Pacific	–6.40	2
4	S. Atlantic	–7.60	4
5	E.N. Central	–10.90	6
6	W.N. Central	11.20	7
7	Northeast	–13.30	5

Figure 2

MOTORHOMES, JULY '89

July '89 Rank	Region	% of Change From July '88	June '89 Rank
1	Pacific	48.50	1
2	W.N. Central	23.70	4
3	Mountain	11.90	7
4	E.N. Central	11.40	6
5	S. Central	– 1.59	3
6	S. Atlantic	– 3.40	2
7	Northeast	–26.50	5

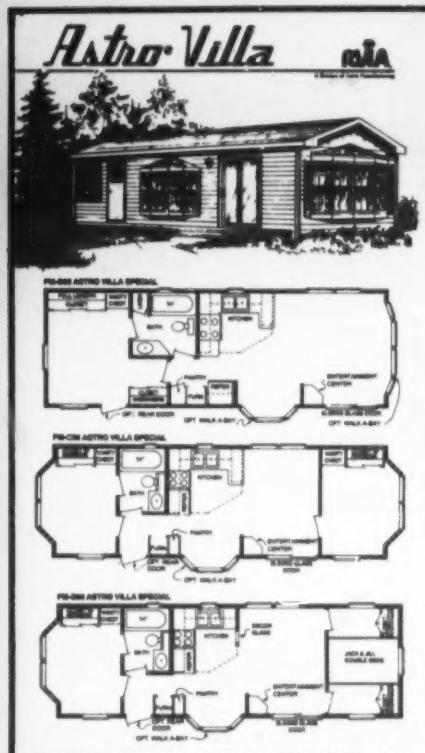
Figure 3

MOTORHOMES, YEAR-TO-DATE

July '89 Rank	Region	% of Change Year-to-date	June '89 Rank
1	Pacific	–3.57	3
2	W.N. Central	– .72	4
3	S. Central	–3.12	1
4	E.N. Central	–3.20	5
5	Mountain	–4.77	6
6	Northeast	–7.90	2
7	S. Atlantic	–8.77	7

Figure 4

GRAPHICS: CUSTOM COLOR VISUALS



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AT RETAIL *continued*

last July's tally.

Figure 3 shows the regional rankings based on the percent change in July motorhome sales when compared with July 1988. In the leading Pacific region, California had the largest positive gain. The Northeast region trailed the pack, with Connecticut experiencing the largest percentage decline in sales from July '88.

For the year-to-date, the motorhome market in July was down by 2.41%, or 887 units, compared with the first seven months of 1988. Figure 4 provides a regional ranking based on the percent of change in year-to-date motorhome sales compared with the same period in 1988. The Pacific region topped the regional list, with California having the largest percentage retail gain in that region. In contrast, the South Atlantic region came in last in terms of the percent change in sales, with Maryland having the largest decline.

July's data reinforces the improvement trend in the RV-retail market. While there appeared to be a minor setback for the RV-trailer market, the picture for motorhomes continued to improve.

While there appeared to be a minor setback for the RV-trailer market, the picture for motorhomes continued to improve.

Unfortunately, the lack of consistency in the market has caused dealer confidence to stay soft. For example, for the RV-trailer market, the Northeast region was the No. 1 market in June based on the percent change in sales compared with the same month of 1988, but the same region dropped to last place in July when compared with July 1988. Similarly, in the motorhome market, the Mountain market was ranked seventh among the regions in June based on a comparison with the previous June, yet the same region had jumped to a No. 3 spot in July compared with the same month in 1988.

The regional markets thus seem to be turning on and off with no real pattern. Although the nationwide retail numbers continued to improve in July, so that the market was running only slightly behind last year, some individual regions recorded growth spurts ahead of the general pace. Δ